eGPC:
AFMC Office Supplies Mandate

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Air Force Contracting e-Business Training Workshop

1

Overview

- The Marketplace
- Background
- Credit Card Transaction Information
- Advantages of On-Line Buying
- eGPC
- AFMC Mandate
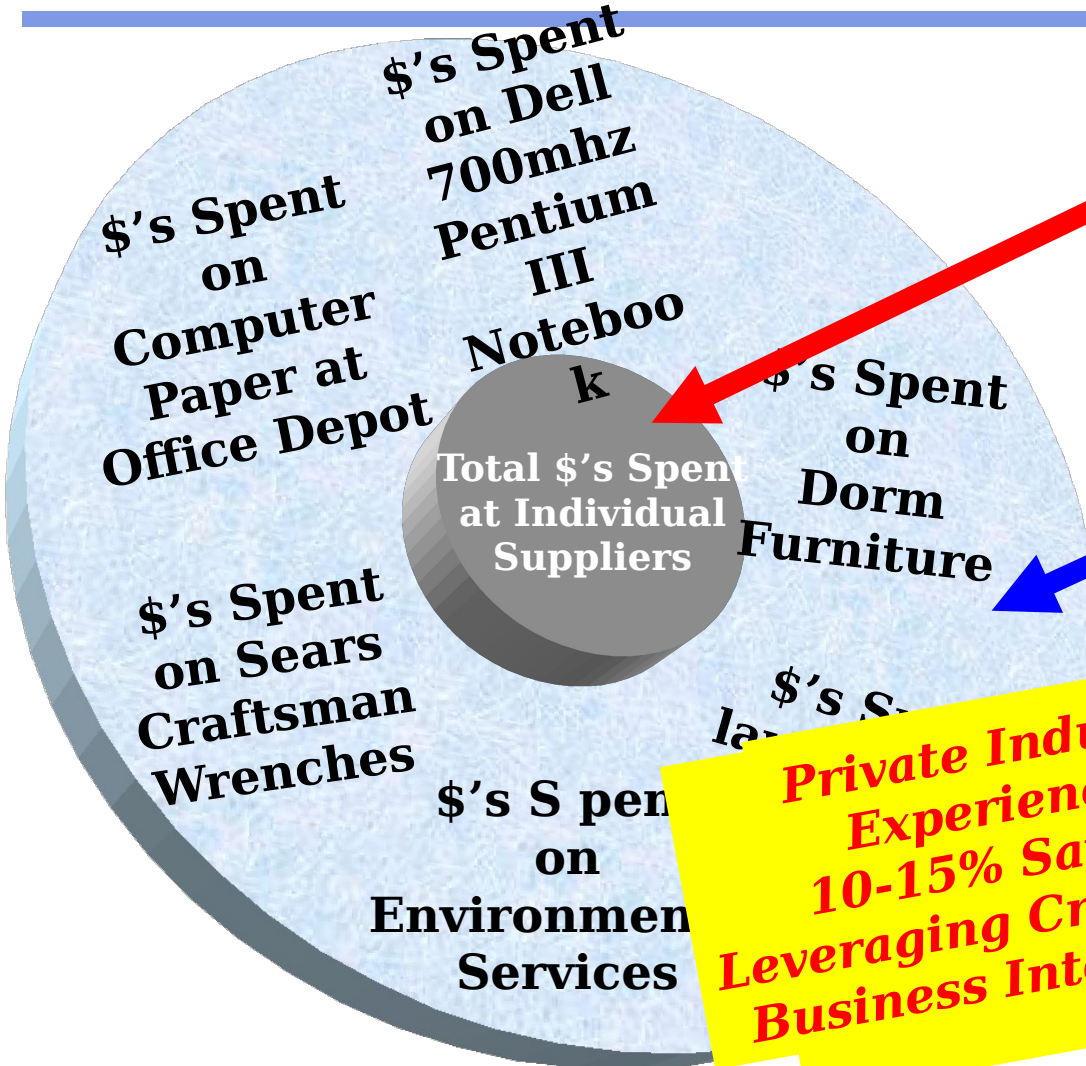- Office Supply Business Intelligence (OSBI) Pilot

The Marketplace

- Electronic commerce in the US economy is growing

  - Business to consumer Internet sales increased from $78B in 2000 to $143B by 2003

  - Business to business Internet sales increased between $1.5 and $2.2 Trillion in that same timeframe

Background

$'s Spent on Computer Paper at Office Depot

$'s Spent on Dell 700mhz Pentium III Notebook

$'s Spent on Dorm Furniture

Total $'s Spent at Individual Suppliers

$'s Spent on Sears Craftsman Wrenches

$'s Spent on Environmental Services

What I Can Tell You Today

What I Could Tell You Tomorrow!

Private Industry Experiences 10-15% Savings Leveraging Credit Card Business Intelligence

2003 GPC Sta

96% of Total Actio

$1.7B Spent

3.0M Actions

47,437 cards issu

4

Background

- Why target GPC?
  - GPC accounts for over 3 million transactions, approximately 96% of all procurement transactions
  - There is limited visibility based on credit card data
  - Cards are being used for more and more different types of procurement each year
  - Most GPC transactions are for commodities and repetitive buys
  - GAO and Congress have become increasingly concerned about government credit cards

Credit Card Transaction Information
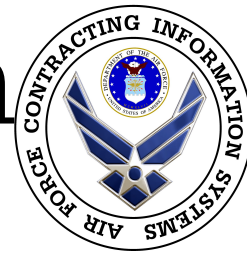
Level 1 Data: Standard commercial transaction data which includes the total purchase amount, the date of purchase, the merchant's name, city/state, debit/credit indicator, date charge/credit was processed by the contractor; contractor processing/transaction reference number for each charge/credit, and other data elements as defined by the Associations or similar entity.

Level 2 Data: Adds additional data to Level 1 data about each purchase which includes merchant category code, sales tax amount, accounting code, merchant TIN, minority/women owned business codes, 1099 status and merchant zip code, and other data elements as defined by the Associations or similar entity.
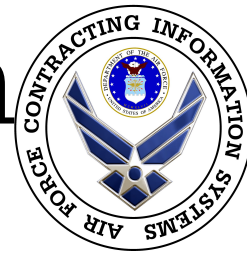
Level 3 Data: Full line-item detail in addition to the data in Level 2 which includes unit cost, quantities, unit of measure, product codes, product descriptions, ship to/from zip codes, freight amount, duty amount, order date, discount amount, and order number, and other data elements as defined by the Associations or similar entity.

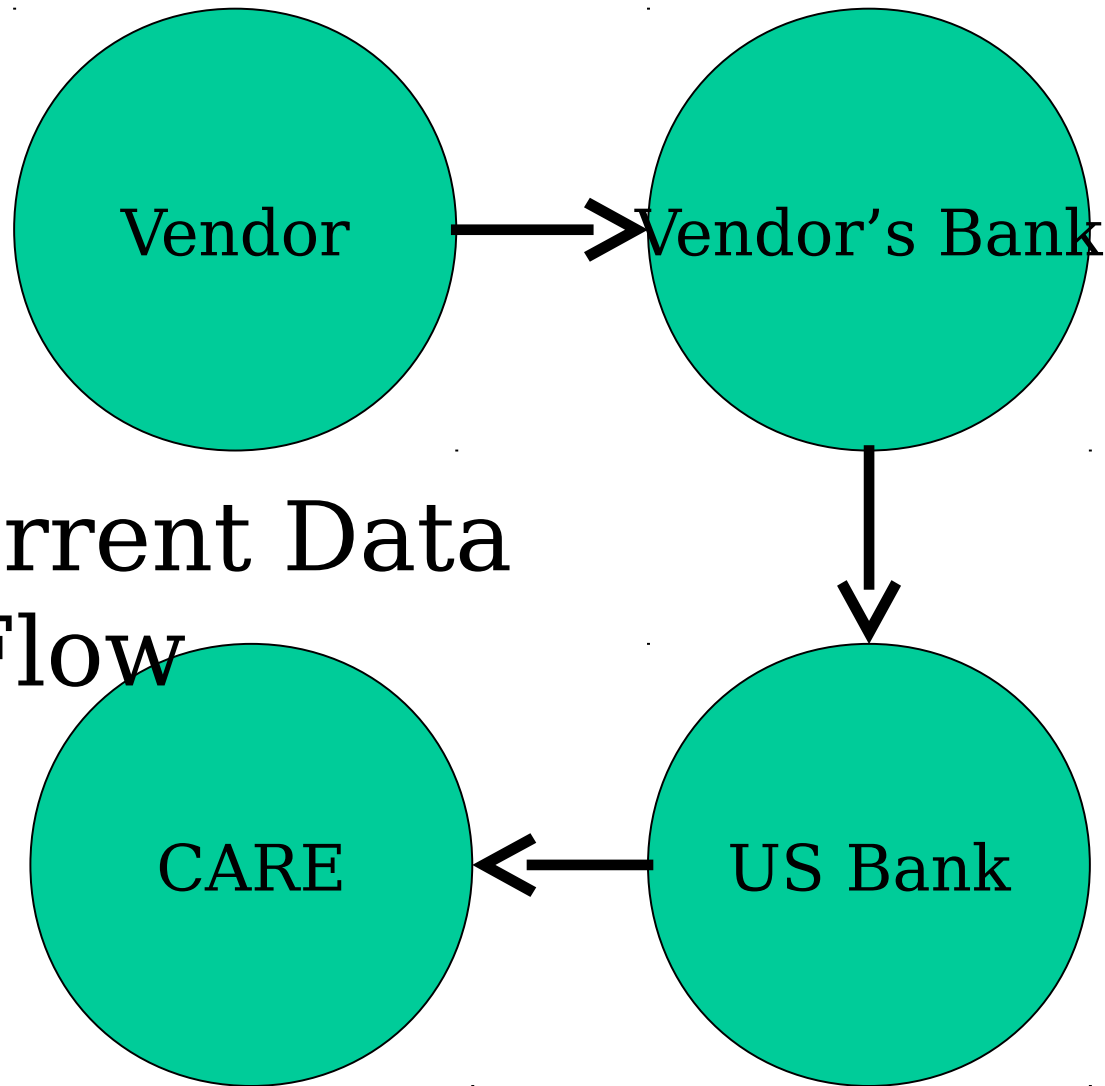*(Data Fields are Commercially Determined—not DoD or AF co*

Credit Card Transaction Information

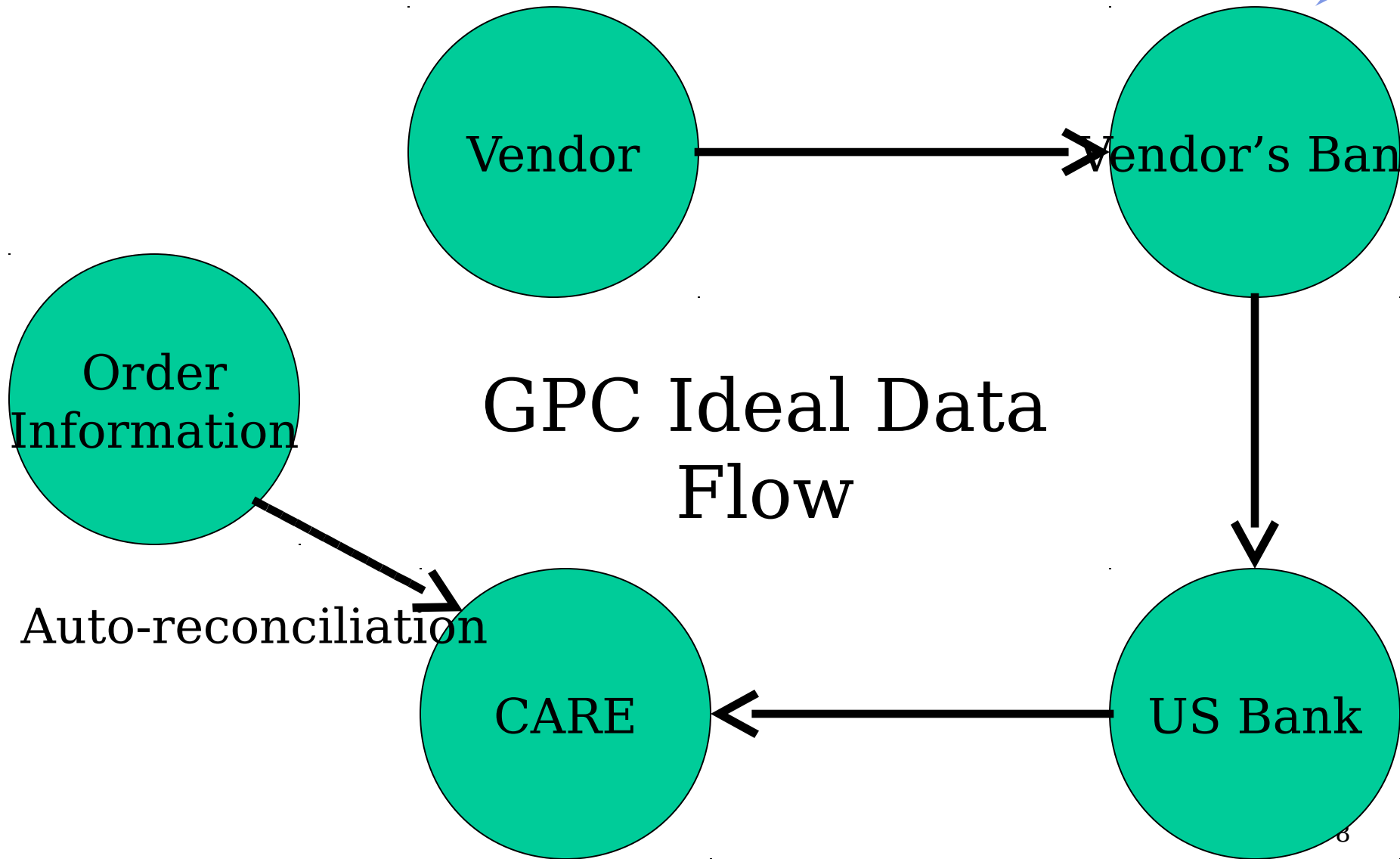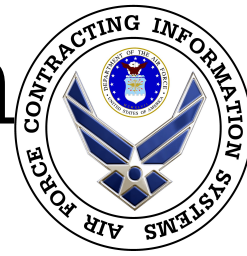Vendor → Vendor's Bank

Vendor's Bank → US Bank

US Bank → CARE

GPC Current Data Flow

Credit Card Transaction Information

Vendor → Vendor's Bank

Order Information

GPC Ideal Data Flow

Auto-reconciliation
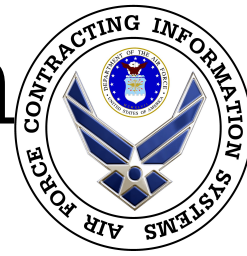
CARE ← US Bank ← Vendor's Bank
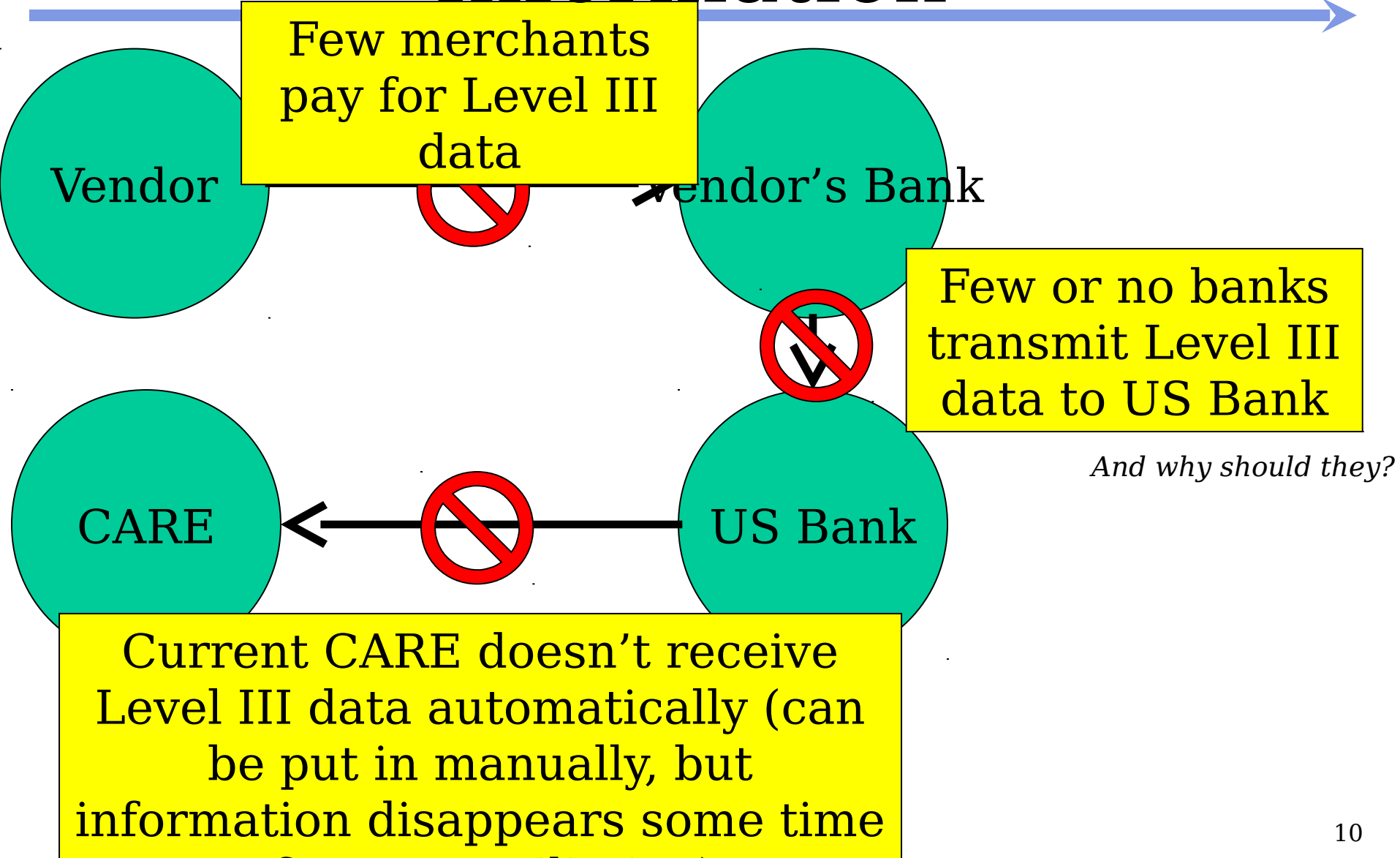
Credit Card Transaction Information

- The SmartPay contract requires the Bank to provide enhanced data capture as merchants are able to pass higher levels of data (II, III) through the card network and as data is obtained by the Contractor.

- To pass Level III data, merchants must be computerized at POS, buy software from their bank.

- Currently there are very few merchants collecting and passing level III data (<3%, unofficially per US Bank)

Credit Card Transaction Information

Few merchants pay for Level III data

Vendor

Vendor's Bank

Few or no banks transmit Level III data to US Bank

And why should they?

CARE

US Bank

Current CARE doesn't receive Level III data automatically (can be put in manually, but information disappears some time
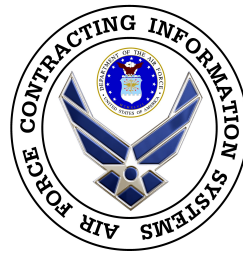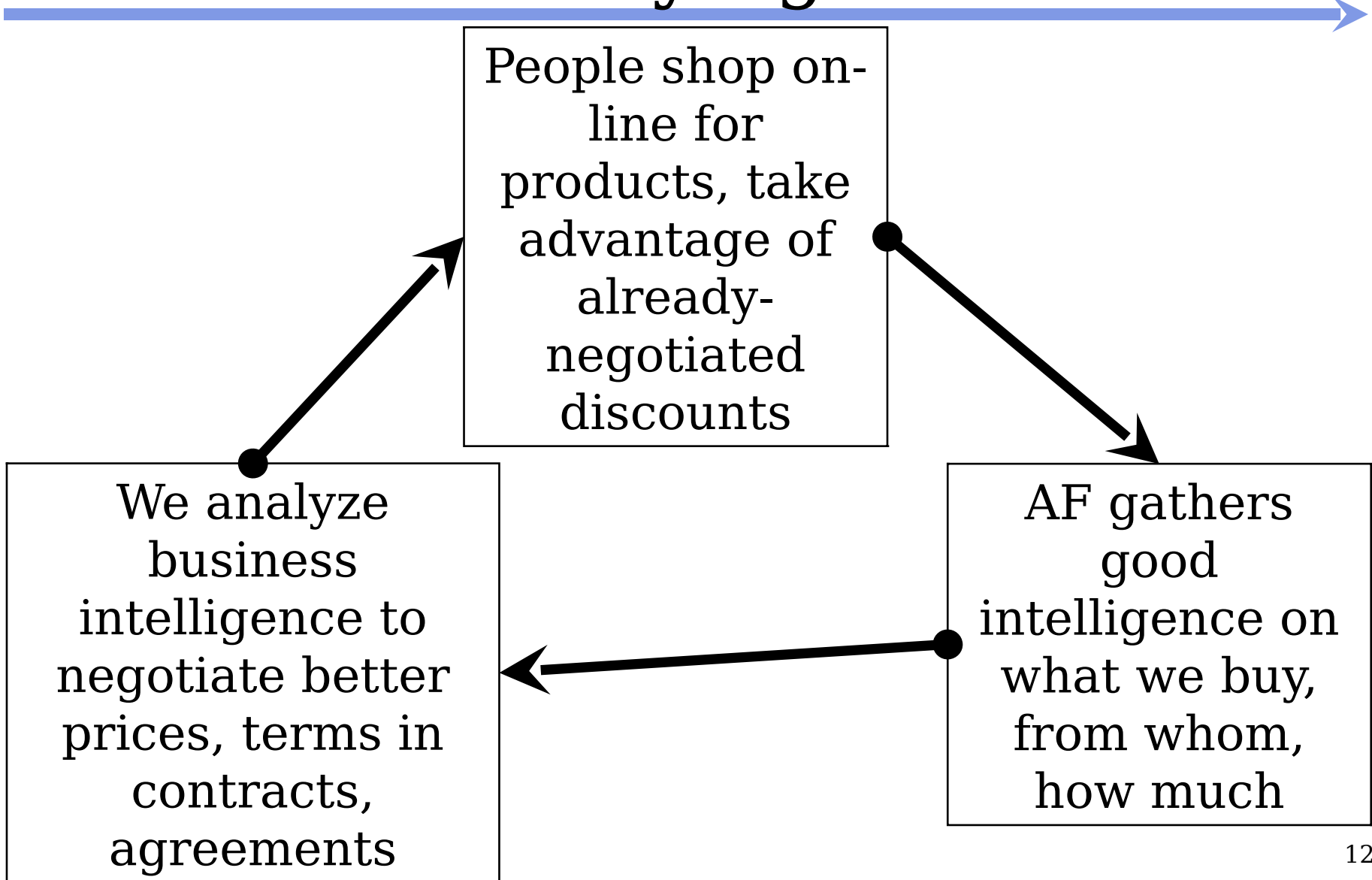
Advantages of On-Line Buying

- We can get volume pricing with vendors
- Office supplies example:
  - GSA Advantage: 12-27% off list
  - AF BPAs: 3-5% off GSA for top selling items
- Business rules: Buying JWOD, Affirmative Procurement
- Management visibility into what's bought
- Purchase card is most often additional duty: purchasing from office saves time

Advantages of On-Line Buying
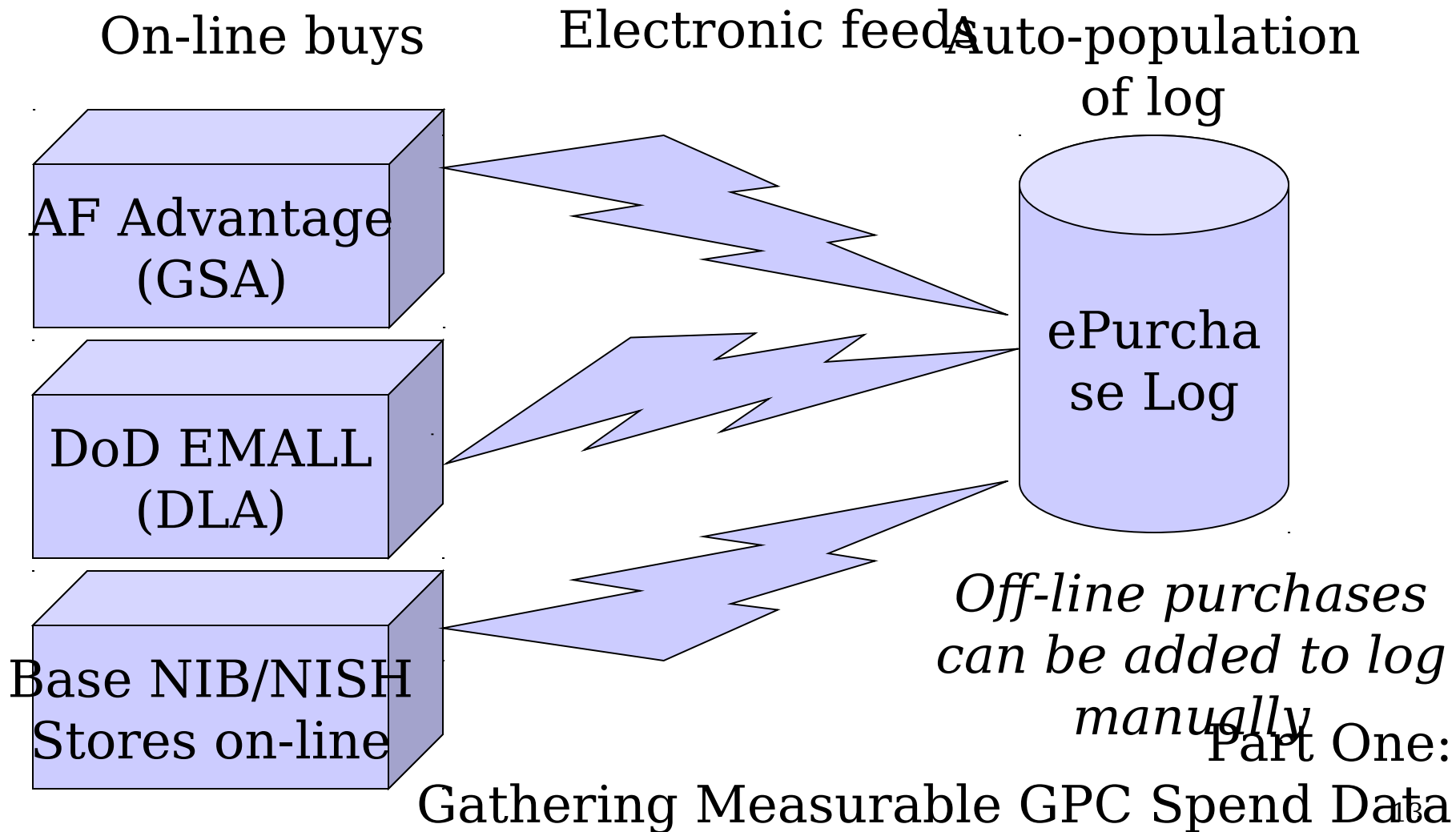
People shop on-line for products, take advantage of already-negotiated discounts

We analyze business intelligence to negotiate better prices, terms in contracts, agreements

AF gathers good intelligence on what we buy, from whom, how much

eGPC

On-line buys   Electronic feeds   Auto-population of log

AF Advantage (GSA)

DoD EMALL (DLA)

ePurchase Log

Base NIB/NISH Stores on-line

Off-line purchases can be added to log manually

Part One: Gathering Measurable GPC Spend Data

U.S. AIR FORCE

eGPC Data

Contract Data

Housed in EDW

Analyzed in CBIS
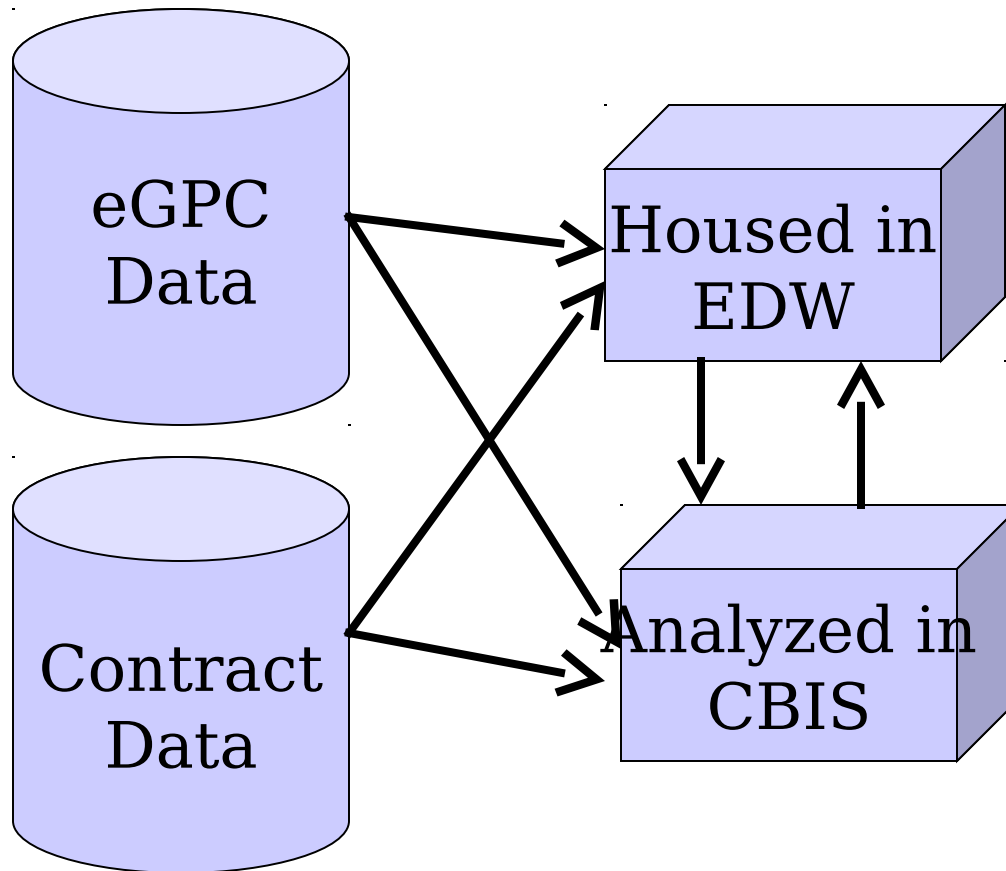
Meaningful Data *plus* Analytical Tools
equals
(a) Strategic sourcing for GPC purchasing arrangements with individual vendors (e.g., 5% off GSA prices for all purchases at Office Depot)
and
(b) Strategic sourcing for AF-wide contracts/agreements for commodity classes (e.g., AF-wide multiple-award contracts

Part Two:
Leveraging Our Spend

AFMC Mandate

- Effective Marb 04, AFMC will mandate purchasing office supplies at the following websites only:
  - AF Advantage (https://www.afadvantage.gov);
  - DoD EMALL (http://www.emall.dla.mil); or
  - Local NIB/NISH store's online procurement tool
- Purchases made at these sites will automatically populate the ePurchase Log currently hosted by GSA
  - The Log will provide line item level business intelligence

AFMC Mandate

- Our Goal:
  - Facilitate a cultural shift to standardized online buying
  - Enable gathering of business intelligence to leverage our buying power
- Expected Results:
  - Business Process Reengineering
  - Leverage GPC spend for volume buying power
  - Improve Regulatory Compliance
  - Enhance Management Control
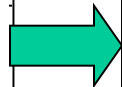 - Support Office Supply Commodity Council

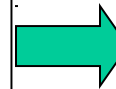# Office Supply Business Intelligence (OSBI) Pilot

- Mandate will serve as OSBI pilot for DoD PCPMO

- Pilot Scope:

  – Will prove that we can pull in good business intelligence data from multiple on-line sources

| People shop on-line for office supplies, take advantage of already-negotiated discounts | → | AF gathers good intelligence on what we buy, from whom, how much | → | We use that analysis of business intelligence to negotiate better prices, terms in contracts, agreements for office supplies |

Backup Charts

Top GPC Vendors
(Dollars in millions based on FY01GPC spend)

U.S. AIR FORCE

AF		AFMC	
OFFICE DEPOT	$25.6	OFFICE DEPOT	$9.1
UNICOR FED PRISON	$19.0	SAN ANTONIO LIGHTHOUSE	$4.4
AAFES	$17.7	GRAINGER	$3.9
SAN ANTONIO LIGHTHOUSE	$17.7	UNICOR FED PRISON	$3.2
ENVISION	$16.1	STAPLES	$2.0
GRAINGER	$13.2	AAFES	$2.0
STAPLES	$6.8	BOISECASCADE	$1.2
HOME DEPOT	$5.1	WESTWOOD COMPUTER CORP	$1.2
LAB SAFETY SUPPLY	$4.9	HAWORTH INC	$1.2
OFFICE MAX	$4.8	XEROX	$1.1
BOISECASCADE	$3.5	THE HON COMPANY	$1.1
LONGS DRUG STORES	$3.5	LONGS DRUG STORES	$1.0
SEARS	$3.2	CORP EXPRESS	$1.0
CORP EXPRESS	$3.1	HERMAN MILLER TREASURY	$1.0